

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-07 H-03 INR-11 L-03 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 COME-00 EB-11 LAB-06 SIL-01

SAM-01 AF-10 TRSE-00 DRC-01 /116 W

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O 250922Z JUL 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 0096

INFO AMCONSUL OPORTO

UNCLAS LISBON 3141

E.O. 11652: N/A

TAGS: ELAB PINT PO

SUBJ: LABOR DIFFICULTIES OF U.S. ELECTRONICS SUBSIDIARY (APPLIED
MAGNETICS)

REF:(A) LISBON 2019; (B) LISBON 1961

SUMMARY: SUBSIDIARY OF U.S. ELECTRONICS FIRM, APPLIED MAGNETICS (AM), IS FACING "CRUNCH" DECISION ON WHETHER TO CONTINUE ITS OPERATIONS IN PORTUGAL. BESET BY MILITANT LABOR MANIFESTATIONS, AM HAS HELD DISCUSSIONS WITH MINISTER OF LABOR AND MAY SEEK FINANCIAL ASSISTANCE FROM MINISTRY OF ECONOMY. WHILE OTHER FIRMS HAVE BEEN AFFECTED BY WAGE INCREASES AND LABOR DIFFICULTIES, AM CASE THUS FAR IS AN EXTREME EXAMPLE. END SUMMARY.

1. FEW FIRMS IN PORTUGAL HAVE NOT BEEN AFFECTED BY WAGE INCREASES AND/OR LABOR DIFFICULTIES, BUT APPLIED MAGNETICS (AM), A SUBSIDIARY OF A U.S. ELECTRONICS FIRM MANAGED BY A CANADIAN CITIZEN, HAS BEEN AN EXTREME CASE INVOLVING BOTH.

2. AS EARLIER REPORTED (REFTELS), TROUBLES BEGAN FOR AM FOLLOWING THE APRIL 25 REVOLUTION WHEN WORKERS, SPEARHEADED BY A MILITANT COMMISSION REFUSED TO LET PORTUGUESE MANAGEMENT-LEVEL PERSONNEL ENTER
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THE FACTORY. AM'S DIFFICULTIES WERE COMPOUNDED WHEN IN MAY THE GOVERN-

MENT APPROVED AN INDUSTRY-WIDE CONTRACT RAISING WAGES IN THE ELECTRICAL INDUSTRY BY OVER 200 PERCENT IN SOME CATEGORIES.

3. BEACUSE OF THE INCREASED WAGE BILL, AM CONCLUDED THAT ONE OF ITS PRODUCT LINES WAS NO LONGER ECONOMICAL AND THAT 116 WORKERS ENGAGED IN THAT ACTIVITY WOULD HAVE TO BE DISMISSED. THAT DECISION ADDED FUEL TO LABOR'S ANTAGONISM. LAST WEEK, AT A MEETING ATTENDED BY REPS FROM THE LABOR MINISTRY AND AN INTER-UNION ORGANIZATION, AM'S WORKERS VOTED DOWN A MANAGEMENT PROPOSAL THAT THEY RETURN TO WORK, WITH MANAGEMENT BEING ALLOWED TO DIRECT THE PLANT WITHOUT INTERFERENCE AND TO MAINTAIN THE DISMISSAL OF THE 116 WORKERS.

4. BECAUSE OF THE CLEAR-CUT REJECTION OF ITS PROPOSAL, AM MANAGEMENT TOOK THE DECISION TO BEGIN BANKRUPTCY PROCEEDINGS ON THE GROUNDS THAT WHTIOUT AN EFFICIENTLY PRODUCING PLANT IT COULD NEITHER EARN THE MONEY TO MEET END-OF-JULY PAYROLLS OR BORROW THE MONEY EITHER LOCALLY OR ABROAD.

5. RECOGNIZING THE SERIOUSNESS OF THIS DEVELOPMENT, THE NEW MINISTER OF LABOR, COSTA MARTINS, ON THE EVENING OF JULY 24 PERSONALLY MET WITH THE AM MANAGER, HIS LAWYER, AND AN OFFICIAL FROM AM'S PARENT COMPANY. THE MINISTER URGED AM NOT TO DISMISS THE 116 WORKERS, SAYING THAT LABOR LEGISLATION TO BE ISSUED IN ABOUT TWO WEEKS WOULD REGULARIZE MANAGEMENT'S POSITION AND PROVIDE FOR RETRAINING OF WORKERS WHEN THEY HAVE TO BE DISMISSED. HE INDICATED THAT IN THE MEANTIME THE GOVERNMENT WOULD ASSURE AM'S ABILITY TO OPERATE THE PLANT AND SUGGESTED THAT AM PURSUE TALKS WITH THE MINISTRY OF ECONOMY ABOUT THE POSSIBILITIES OF FINANCIAL ASSISTANCE TO TIDE IT OVER ITS PRESENT DIFFICULTIES. (EARLIER ON JULY 24 A MINISTRY OF ECONOMY OFFICIAL HAD TOLD AM THAT GOVERNMENT WOULD CONSIDER GIVING FINANCIAL AID OF AM WOULD CANCEL THE DISMISSAL OF THE 116 EMPLOYEES).

6. AS OF 0200 JULY 25 AM HAD NOT DECIDED WHAT ACTION IT WOULD TAKE. WHILE SOMEWHAT ENCOURAGED BY MINISTER OF LABOR'S INTERVENTION, THE AM MANAGER AND HIS COLLEAGUES, FOLLOWING THE TALKS WITH THE MINISTER, WERE SUBJECTED TO ANOTHER DOSE OF LABOR MILITANCY. DEPARTING FROM THE MINISTRY, THEY WERE SURROUNDED BY A GROUP OF SOME 200 AM WORKERS, ALONG WITH PRESS AND TV REPRESENTATIVES.

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(NOTE: AM CASE HAS BEEN RECEIVING A LOT OF PUBLICITY IN PRESS AND ON RADIO). GROUP REFUSED TO LET AM TAXI MOVE. AFTER BEING THUS DETAINED FOR MORE THAN AN HOUR, AM MANAGER FINALLY SURRENDERED HIS CANADIAN PASSPORT TO A WORKER REPRESENTATIVE AS AN EARNST OF HIS INTENTION NOT TO LEAVE THE COUNTRY, AND A WORKER ACCOMPANIED THE AM TEAM BACK TO THEIR HOTEL WHICH THE AM MANAGER BELIEVES IS BEING WATCHED.

7. COMMENT: (A) LABOR MILITANCY HAS MADE THE AM CASE AN EXTREME ONE. IT IS PERSONALLY DISCOURAGING TO AM THAT THE GOVERNMENT HAS NOT IMPOSED RESTRAINT ON THE MILITANTS SO THAT NEGOTIATIONS COULD UNFOLD IN AN ORDERLY FASHION. ALTHOUGH NO BODILY HARM HAS BEEN INFLICTED, AM MANAGER, AFTER LAST NIGHT'S INCIDENT, DOES NOT RULE OUT THIS POSSIBILITY. DESPITE THIS SOMEWHAT MESSY SITUATION, WE FIND IT ENCOURAGING THAT THE LABOR MINISTER HAS PERSONALLY INJECTED HIMSELF IN THE DISCUSSIONS AND THAT HE AND THE ECONOMIC MINISTRY APPEAR TO BE WORKING MUCH MORE IN TANDEM THAT WAS THE CASE UNDER THE PALMA CAROLS REGIME.

(B) WE ARE KEEPING IN CLOSE TOUCH WITH AM AND WILL REPORT DEVELOPMENTS AS THEY UNFOLD.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT OVERTHROW, POLITICAL LEADERS, POLITICAL SITUATION, LABOR UNIONS, LABOR STRIKES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON03141
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740201-0769
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740719/aaaaapoj.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A) LISBON 2019; (B) LISBON 1961
Review Action: RELEASED, APPROVED
Review Authority: schwenja
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUN 2005
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 OCT 2002 by ThomasVJ>; APPROVED <17 JAN 2003 by martinjw>; WITHDRAWN <13 Jun 2005 by BoyleJA, PRIVACY>; RELEASED <16 JUN 2005 by moorthsk>; APPROVED <16 JUN 2005 by schwenja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LABOR DIFFICULTIES OF U.S. ELECTRONICS SUBSIDIARY (APPLIED MAGNETICS)
TAGS: ELAB, PINT, PO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005